

CRDP, CRSC back pay to begin arriving

DATE: September 17, 2006

A small group of disabled military retirees this month will be the first of 133,000 to receive lump-sum back payments, say officials with the Defense Finance and Accounting Service.

The trickle of payments will become a geyser at the end of October. Officials say 40,000 more retirees will see payments deposited electronically in their bank accounts by the Department of Veterans Affairs, DFAS or both.

Payments will vary from several hundred dollars to \$10,000 or more. The average will be \$3,700.

Almost all retirees in line for the pay served 20 or more years and all have disabilities that made them eligible for Concurrent Retirement and Disability Pay or Combat-Related Special Compensation.

Pat Shine, DFAS deputy director, said a majority of the payments will be made in the next six months, with DFAS focusing first on older cases. He said it could take up to six more months to calculate and pay the most-complex retro pay file.

These involve multiple VA rating adjustments since CRSC and CRDP began, shifts by retirees between these two types of payments, ex-spouse pay entitlements and any other issue that requires lengthy record searches.

DFAS officials are calling the \$500 million effort the "VA Retro Pay Project." Retirees don't need to apply. A hotline has been set for CRSC and CRDP recipients who believe they may qualify. That toll-free number is 1-877-327-4457.

This week, DFAS hopes to post an explanation of the pay program at www.dod.mil/dfas.

Thomas J. Pamperin, assistant director for policy with VA's Compensation and Pension Service in Washington, said he and his staff have been working with DFAS for almost 18 months. The back-pay issue, he said, is "something where neither one of us can do it by ourselves. We need a lot of information exchanged."

VA figures to pay 80 percent of money owed. Some retirees will receive two checks, one from the VA and another from DFAS. Before payments are deposited, retirees will get letters explaining reasons for the pay and how the amounts were calculated, Pamperin said.

CRSC allows retirees with at least 20 years of service to receive tax-free pay to replace any offset in taxable retired pay required on receipt of VA disability compensation. Retirees must have combat-related injuries or ailments and apply to their service to establish eligibility.

CRDP is paid automatically if the retiree served 20 years and has service-related disabilities rated 50 percent or higher by VA. The full CRDP is being phased in for most of its 170,000 recipients, adding another layer of complexity to the payment effort. Retirees may be eligible for both CRSC and CRDP but can receive only one.

Before these programs took effect, Shine said, VA and DFAS didn't need to worry about tracking retroactivity of payments. When a retiree's VA rating was approved or raised, VA knew to withhold the additional compensation from the retiree until it got word from DFAS that military retirement had been reduced. This avoided government overpayments.

Retirees affected by such withholding simply notified the IRS on their next tax return to treat any portion of their retired pay received after their VA benefits kicked in as non-taxable compensation.

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This arrangement between VA and DFAS no longer worked - and created compensation shortfalls - after CRSC and CRDP took effect.

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